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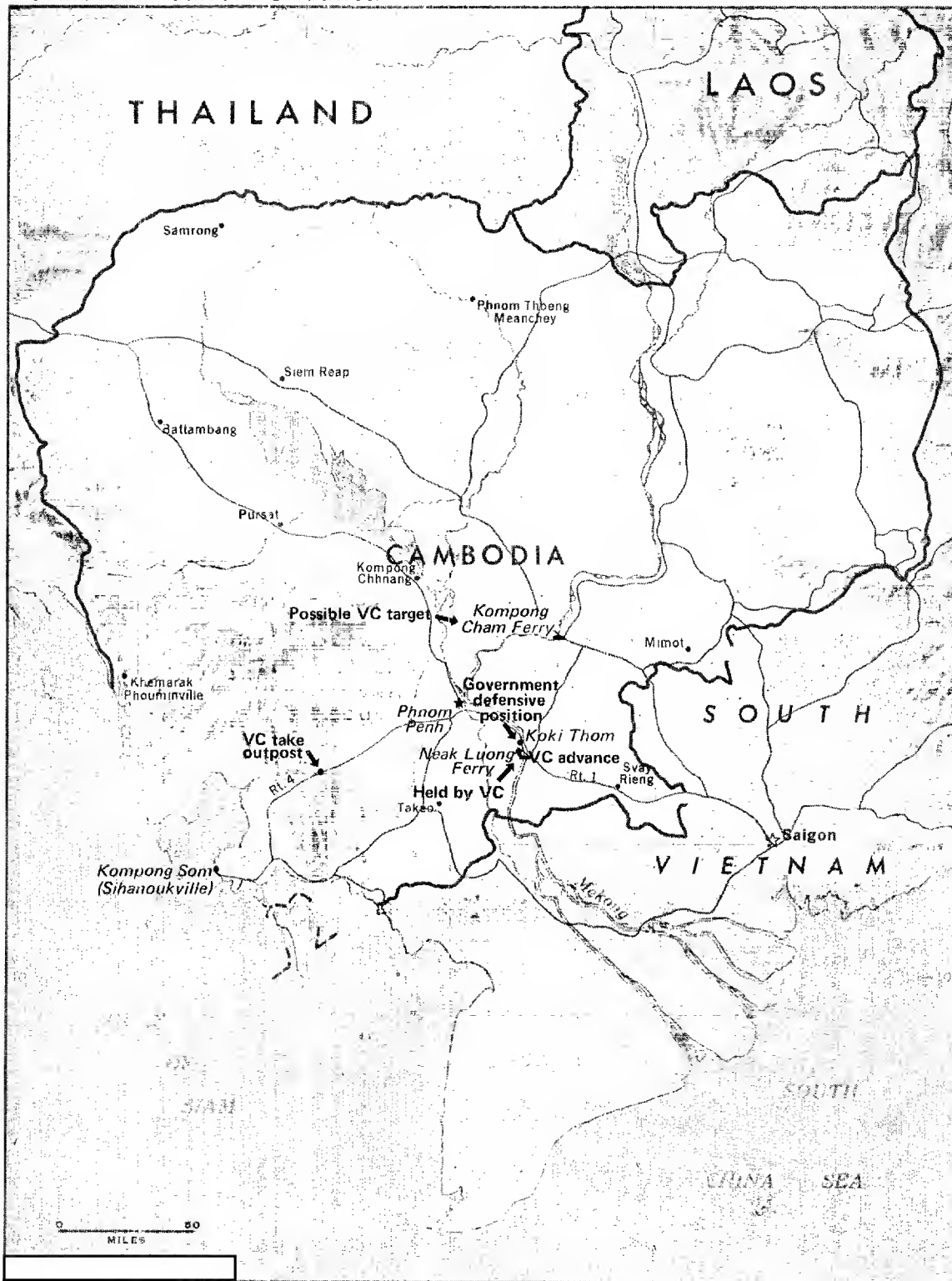
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Cambodia: Current Situation



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Cambodia: The Communists are still threatening to cut Phnom Penh's overland access to the southern and eastern provinces.

An estimated 500 to 800 Communist troops who captured the important Mekong River ferry landing at Neak Luong, some 30 miles southeast of the capital, have now crossed to the west bank of the river. Cambodian troops evidently gave way without offering much resistance. A two-battalion government blocking force is located at the village of Koki Thom on Route 1, and an additional two battalions are moving to drive the Communists back across the river.

There are press reports, meanwhile, that the Communists may be preparing to attack another key Mekong crossing, this one near the city of Kompong Cham, 50 miles northeast of Phnom Penh.

Southwest of Phnom Penh, an army outpost has been lost near Route 4, the main road connecting Phnom Penh with the principal port at Kompong Som (Sihanoukville). If Route 4 is cut, the government would be faced with a critical logistic problem.



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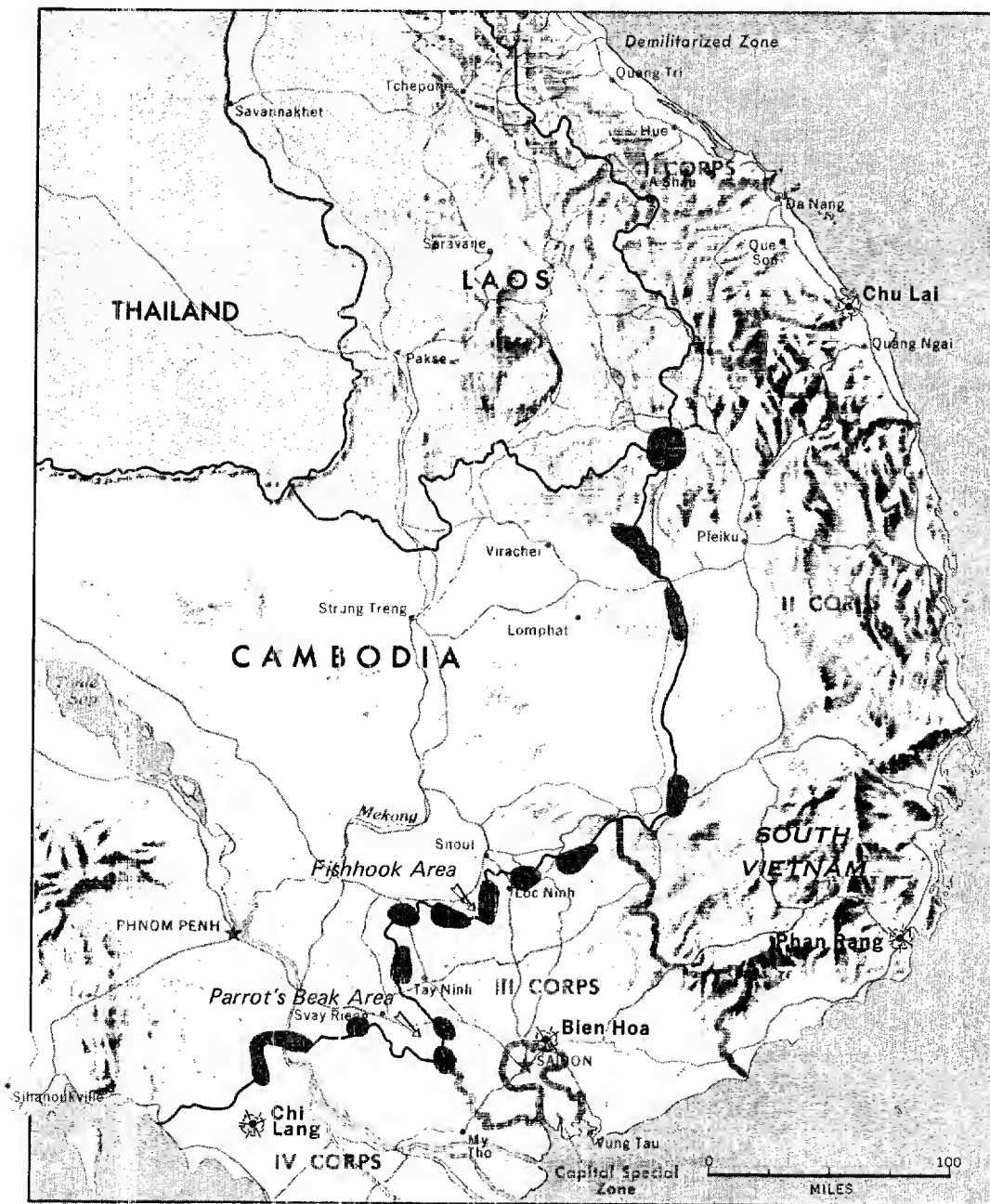
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Allied Military Facilities Hit by Rocket and Mortar Fire, 3-4 May



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VC/NVA base area along Cambodian border

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South Vietnam: The Communists' spring campaign continued to gain momentum on 3-4 May.

Military action was heaviest in I and IV Corps and was at relatively moderate levels elsewhere. Allied military facilities--including US air bases at Chu Lai, Phan Rang, and Bien Hoa and the South Vietnamese training center at Chi Lang in the delta province of Chau Doc--were struck by rocket and mortar fire. Casualties and damage were generally light.

South Vietnamese outposts also were targets of enemy shellings and small-scale ground attacks. The village of Que Son in Quang Nam Province and four other district towns in the delta were hit by mortar rounds.

There are numerous indications that some enemy units are still completing combat preparations, suggesting that the present increase in activity, which has not been as intense as the one in early April, could last at least through the week. [REDACTED]

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USSR - Communist China: Moscow and Peking issued relatively moderate statements yesterday denouncing current US activity in Indochina.

At an unprecedented news conference in Moscow, Premier Kosygin delivered a statement attacking the US action announced by President Nixon last week. Kosygin claimed that a "new hotbed of war" had been created in Southeast Asia and blamed the President by name for his "threats" against Hanoi and its allies. He denounced the US for "grossly violating" the agreement that led to the bombing halt, "emphatically condemned" US "intervention" in Cambodia, and ended with the suggestion that these US actions could have repercussions outside of Southeast Asia. Kosygin elaborated on the latter point in the question and answer period by implying that US activity could jeopardize the strategic arms talks in Vienna. As for diplomatic means of solving the problems in Indochina, Kosygin said that "this is not the time for meetings but for actions."

Peking's initial reaction to developments in Indochina has also been relatively restrained. The Chinese official government statement contained a "stern warning" against US provocations, and reiterated China's vague pledge to provide a "powerful backing" for the Indochinese people in their war against the US. Despite the bombast, however, the tenor of Peking's remarks was mild by Chinese standards.

Other than Moscow's reference to the possible wider implications of the US action, neither statement goes beyond previous pledges of support for Hanoi or criticism of US policy. In answer to a question on Soviet military assistance, Kosygin replied merely that the USSR

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was already giving Hanoi "all-around" aid. Moreover, he refused to be drawn out on the question of the legitimacy of Cambodia's present government.

Now that Moscow and Peking have issued authoritative statements, they probably will wait to see how the situation develops before considering a more active role in Indochina. [REDACTED]

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South Korea: The only significant opposition party has ended its six-month boycott of the National Assembly.

New Democratic Party Chairman Yu Chin-san announced on 2 May that the action was necessary because of the pressing international situation. The boycott began as a protest against the manner in which the government had carried out the amendment of the constitution last year to permit President Pak to seek a third term in 1971. Electoral reforms and other preconditions that the party was demanding for returning to the legislature, Yu said, would be "left up to the conscience" of Pak.

The party appears to have made the best of a poor situation. The boycott, which the government was able largely to ignore because of its commanding Assembly majority, had become increasingly burdensome to the opposition. Denied the Assembly floor from which to attack the government, Yu's party has been unable to take full advantage of recent scandals involving government figures. At the same time, negotiations with the government party to resolve the boycott had exposed Yu and his party to charges by other oppositionists of conniving with the regime. [REDACTED]

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Libya-Algeria: An agreement now being implemented may lead to growing Libyan reliance on technical assistance from Algeria.

The agreement provides for technical aid and training. It also provides for the creation of a joint company for oil exploration, and for coordination of oil policies. Fifty Libyans already have been accepted for training by Algeria, and the joint company is scheduled to complete its budget and work program this month.

Since the coup in September 1969, the Libyan Government has tried to increase Libyan involvement in the oil industry now dominated by foreign interests. Libya, however, has little technical or administrative expertise in the petroleum sector. The government has been impressed, however, with the technical skills displayed by the Algerian state-owned petroleum company.

Algerian interest in the agreement stems in part from a desire to attract the Libyan regime away from the strong influence of the UAR. Lack of Egyptian expertise, however, probably was the major consideration in the Libyan decision.

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Fedayeen-Paraguay: Yesterday's terrorist attack at the Israeli Embassy in Asuncion may presage an upswing in this type of activity elsewhere. Preliminary press accounts have reported that the two Arab assailants claim they are members of Fatah. If the gunmen do in fact belong to that commando group, this incident portends a radical change in Fatah's tactics. [REDACTED]

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[REDACTED]

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Cyprus: The terrorist National Front has resumed activity again after a quiet period throughout the island following the attempted assassination of President Makarios and the subsequent murder of his political enemy Georkatzis. The group, which favors union with Greece (enosis), has distributed leaflets attacking parliamentary president Clerides' United Party and staunchly defending the Greek position. The recent bombing of buildings used by leftist organizations is also attributed to the National Front. Additional pro-enosis agitation by this organization, perhaps involving attacks on its political enemies and a renewal of violence, may occur prior to the parliamentary elections scheduled for 5 July. [REDACTED]

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Israel: Almost 60 percent of the Israeli public now favors the retention of the occupied territories, according to a recent survey by a public opinion research institute. Previous polls showed that approximately one third of Israelis favored retention immediately after the 1967 war and slightly more than 40 percent in January 1970. The hardening of public opinion reflected in the latest survey has further lessened the receptivity of the Israeli Government to settlement plans involving meaningful territorial concessions. [REDACTED]

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UN - East Germany: Pankow's application for membership in the UN's World Health Organization (WHO) will be a highlight of the WHO assembly meeting opening today. Bonn has launched a worldwide campaign to defeat the East German bid, since its success would boost Pankow's status under the so-called Vienna formula. By its terms, members of the specialized agencies of the UN may accede to international treaties and participate in international conferences. It is extremely unlikely that East Germany will gain WHO membership despite the fact that only a majority of members present and voting is required. WHO admission requirements are more lenient than those of the other UN specialized agencies. [REDACTED]

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Yugoslavia-USSR: The Yugoslav defense minister, General Nikola Ljubicic, arrived in Moscow yesterday to attend Friday's VE Day anniversary celebrations. This is Ljubicic's first visit to the Soviet Union since becoming minister of defense in May 1967. He probably will use the occasion to begin talks on the purchase of arms from the USSR. Belgrade has also been looking for arms in the West, and has had exploratory talks with the British. [REDACTED]

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Hungary-Iraq: Budapest has extended a credit of nearly \$31 million to Iraq. It will be used to finance the export of Hungarian plants and equipment in exchange for Iraqi crude oil. The credit was the highlight of a recent trip to Eastern Europe by the Iraqi minister of economy. Under an agreement signed last year, Hungary is providing Iraq with \$15 million in equipment and technical assistance for drilling four oil wells in the North Rumaila field. This credit is probably also repayable in oil. Although the USSR will continue to be its major source of oil, Hungary hopes eventually to supplement this with Iraqi petroleum and thus lessen its dependence on the Soviet Union. [REDACTED]

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Sudan: A new expropriation law legalizing the takeover of businesses and property could be the first step in liquidating Western interests in Sudan. The most likely target among the few US interests in Sudan is the Mobil Oil distribution network with \$2.5 million in fixed assets. In view of the increased anti-Western feeling in Sudan, the present socialist-oriented government, may well move to acquire this vital sector of the economy. The expropriation law is ostensibly aimed at protecting the domestic Sudanese economy from foreign monopoly and competition. In perhaps a related move, the Sudan Government is taking up an option to acquire a 50-percent interest in the Dutch and British-owned Shell refinery in Port Sudan.

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